

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

OFFICIAL FILE

ILLINOIS BELL TELEPHONE COMPANY (Ameritech Illinois)
and McLeodUSA Telecommunications Services, Inc.

C.C. DOCKET NO. 00-0673
STAFF Exhibit No. 1
00-0673

Joint Petition for Approval of Merger Amendment to the
Resale Agreement dated August 17, 2000, pursuant to
47 U.S.C. § 252

Witness
Date 11/1/00 Reporter Jm

VERIFIED STATEMENT OF MELANIE K. PATRICK, Ph.D.

INTRODUCTION

My name is Melanie K. Patrick, and I am employed by the Illinois Commerce Commission as a Policy Analyst in the Telecommunications Division. I graduated from Carnegie Mellon University in Pittsburgh, PA, with a Bachelor of Science degree in Public Policy and Management in 1986, and with a Master of Science degree in Public Management and Policy in 1987. In 1999, I received the degree of Doctor of Philosophy in Political Science from Brown University in Providence, RI, earning an additional Master of Arts degree from Brown University, also in Political Science, in 1993. Among my duties as a Policy Analyst is to review negotiated agreements and provide a recommendation as to their approval.

SYNOPSIS OF THE AGREEMENT

The instant agreement between AMERITECH and MCLEODUSA dated August 17, 2000 is a Merger Amendment to the Agreement of September 10, 1997, Docket No. 97-NA-020, between both parties. This agreement specifically amends certain parts of the existing agreement to comply with Paragraphs 47-49, 50-52, 54, and 75 of the FCC Docket No. 98-141. In the Conditions for the FCC Order Approving SBC/Ameritech

Merger (the "FCC Conditions"), Paragraphs 47 and 50 of the FCC Conditions mandate SBC/Ameritech to offer certain resale services and access to the unbundled network element (UNE) platform. The amended parts are as follows:

- 1) the Defined Terms of the Agreement is modified;
- 2) an Appendix, FCC Merger Conditions, is added;
- 3) the document's Table of Contents is modified to reflect the addition of the FCC Merger Conditions;
- 4) Several sections have been modified; a list of significant changes follows:
 - a) Section 4: OSS Change Management Process reflects the participation of the 13-State SBC companies, with the CLECs, in negotiations to create a change management process;
 - b) Section 8: Provision of promotional resale discounts on telecommunications services;
 - c) Section 11: Adherence to mandated Alternative Dispute Resolution guidelines;
 - d) Section 12: Conflicting Conditions prevents the CLEC from invoking substantially similar provisions under the FCC Merger conditions if remedies available through the Illinois merger provisions have been previously sought;
 - e) Section 13: Allows the merger agreement to be suspended under certain conditions;
 - f) Section 15: Provision of payment plan for UNE services and resale, restricted to Ohio and Illinois.

The existing agreement had established the financial and operational terms for: networks on mutual and reciprocal compensation; unbundled access to Ameritech's network elements, including Ameritech's operations support systems functions; physical collocation; number portability; resale; and a variety of other business relationships. This amendment is coterminous with the underlying agreement between the parties.

STANDARD OF REVIEW

The purpose of my verified statement is to examine the agreement based on the standards set forth in section 252(e)(2)(A) of the 1996 Act. Specifically, this section states:

The State commission may only reject-

- an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that-
- (i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or
- (ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity.

APPROVAL UNDER SECTION 252(e)

A. Discrimination

The first issue that must be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it discriminates against a telecommunications carrier that is not a party to the agreement. Discrimination is generally defined as giving preferential treatment. In previous dockets, Staff has taken the position that, in order to determine if a negotiated agreement is discriminatory, the Commission should determine if all similarly situated carriers are allowed to purchase the service under the same terms and conditions as

provided in the agreement. I recommend that the Commission use the same approach when evaluating this negotiated agreement.

A carrier should be deemed to be a similarly situated carrier for purposes of this agreement if telecommunications traffic is exchanged between itself and AMERITECH for termination on each other's networks and if it imposes costs on AMERITECH that are no higher than the costs imposed by MCLEODUSA. If a similarly situated carrier is allowed to purchase the service(s) under the same terms and conditions as provided in this contract, then this contract should not be considered discriminatory. Evaluating the term discrimination in this manner is consistent with the economic theory of discrimination. Economic theory defines discrimination as the practice of charging different prices (or the same prices) for various units of a single product when the price differences (or same prices) are not justified by cost. See, Dolan, Edwin G. and David E. Lindsey, Microeconomics, 6th Edition, The Dryden Press, Orlando, FL (1991) at pg. 586.

I have no reason to conclude that the agreement is discriminatory. Also, Section 252(i) of the 1996 Act allows similarly situated carriers to enter into essentially the same contract.

B. Public Interest

The second issue that must be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it is contrary to the public interest, convenience, and necessity. I recommend that the Commission examine the agreement on the basis of economic efficiency, equity, past Commission

orders, and state and federal law to determine if the agreement is consistent with the public interest.

This Agreement addresses the issues of the OSS Change Management Process, Promotional Discounts on Resale, the Alternative Dispute Resolution guidelines and procedures, and Effect of the Merger Conditions on the merging companies.

These conditions are extensively discussed in paragraphs 47-49, 50-52, 54, and 75 of the FCC Conditions for SBC/Ameritech Merger. Summarily, the purpose of Paragraphs 47-49 is to require SBC/Ameritech to offer promotional discounts on resale of telecommunications services to telecommunications carriers within each SBC/Ameritech State. The promotional discounts are available to telecommunications carriers that maintain an effective interconnection agreement with SBC/Ameritech. Paragraphs 50-52 require SBC/Ameritech to offer end-to-end combinations of network elements to telecommunications carriers within each SBC/Ameritech State. The combinations of network elements, known as the UNE platform, are also to be made available to telecommunications carriers that maintain an effective interconnection agreement with SBC/Ameritech.

Paragraph 54 of the FCC Conditions requires that SBC/Ameritech implement, subject to the appropriate state commission's approval and participation, an Alternative Dispute Resolution ("ADR") mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes related to interconnection agreements. Participation in the ADR mediation process is voluntary for both the carriers and state commissions. Also, the ADR mediation process is neither a

substitute for dispute resolution regarding the negotiation of interconnection agreements pursuant to Sections 251 and 252 nor dispute resolution under Section 332 of the Communications Act. Finally, the ADR mediation process can be utilized to resolve local interconnection agreement between SBC/Ameritech and unaffiliated telecommunications carriers (i.e., unaffiliated CLECs) at the unaffiliated telecommunications carriers' request.

Paragraph 75 of the FCC Conditions, Effect of Conditions, is intended to prevent application of substantial duplicative requirements imposed on SBC/Ameritech in connection with the merger under state law. In Illinois, the Commission imposed state conditions on the SBC/Ameritech merger. The general rule is if the Requesting carrier has invoked substantially related conditions imposed on the merger under Illinois law, then the Requesting Carrier cannot have a right to invoke the relevant terms/conditions of the FCC Conditions. This amended clause conforms with the FCC Conditions.

Moreover, in previous dockets, Staff took the position that negotiated agreements should be considered economically efficient if the services are priced at or above their Long Run Service Incremental Costs ("LRSICs"). Requiring that a service be priced at or above its LRSIC ensures that the service is not being subsidized and complies with the Commission's pricing policy. All of the services in this agreement are priced at or above their respective LRSICs. Therefore, this agreement should not be considered economically inefficient.

I have no reason to conclude that this agreement is contrary to the public interest and nothing in this agreement leads me to the conclusion that the agreement is inequitable, inconsistent with past Commission Orders, or in violation of state or federal

law. Therefore, I recommend that the Commission approve the agreement subject to the implementation requirements of the next section.

IMPLEMENTATION

In order to implement the AMERITECH-MCLEODUSA agreement, the Commission should require AMERITECH to, within five days from the date the agreement is approved, modify its tariffs to reference the negotiated agreement for each service. Such a requirement is consistent with the Commission's Orders in previous negotiated agreement dockets and allows interested parties access to the agreement. The following section of AMERITECH's tariffs should reference the AMERITECH-MCLEODUSA agreement: Agreements with Telecommunications Carriers (ICC No. 21 Section 19.15).

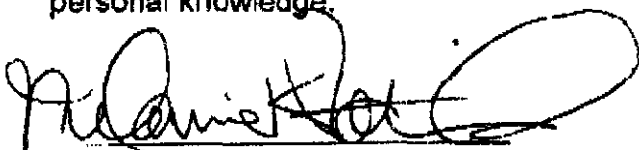
Furthermore, in order to assure that the implementation of the Agreement is in the public interest, AMERITECH should implement the agreement by filing a verified statement with the Chief Clerk of the Commission, within five (5) days of approval by the Commission, that the approved Agreement is the same as the Agreement filed in this docket with the verified petition; the Chief Clerk should place the Agreement on the Commission's web site under Interconnection Agreements. Such a requirement is also consistent with the Commission's Orders in previous negotiated agreement dockets.

For the reasons set forth above, I recommend that the Commission approve the agreement under Section 252(e) of the 1996 Act.

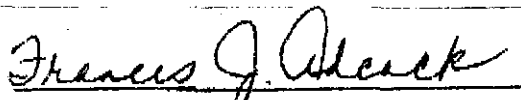
VERIFICATION

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I, Melanie K. Patrick, Ph.D., do on oath depose and state that if called as a witness herein, I would testify to the facts contained in the foregoing document based upon personal knowledge.



SIGNED AND SWORN TO BEFORE ME THIS 26th DAY OF
October, 2000.


NOTARY PUBLIC

